

Message Text

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16

ACTION NEA-10

INFO OCT-01 ARA-06 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 FEA-01 SAJ-01 SAB-01 /120 W
----- 067173

R 100512Z AUG 76

FM USINT BAGHDAD

TO SECSTATE WASHDC 3461

INFO AMEMBASSY BRASILIA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

/AMEMBASSY TEHRAN 982

AMEMBASSY VIENNA

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E.O. 11652: N/A DECONTROL 12/31/78

TAGS: ENRG IZ US

SUBJECT: RECENT PETROLEUM DEVELOPMENTS IN IRAQ

1. SUMMARY. U.S. OIL EXECUTIVE DESCRIBES IRAQI PETROLEUM INDUSTRY AS IN THE EARLIEST STAGES OF VERY IMPRESSIVE DEVELOPMENT AND INCREASINGLY LOOKING TO U.S. (RATHER THAN COMECON) FOR SERVICES, TECHNOLOGY, AND HARDWARE. HE RECOMMENDS CLOSER, HIGHER LEVEL ATTENTION BY USG TO IRAQI DECISION-MAKERS IN THIS FIELD. END SUMMARY.

2. U.S. OIL COMPANY EXEC WITH MANY YEARS OF INTERNATIONAL
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PETROLEUM EXPERIENCE, NOW RESIDENT TEHRAN, WHO IS

FREQUENT VISITOR TO IRAQ AND WELL KNOWN TO USINT,
BRIEFED USINT COMATT AUGUST 6 AND 7 ON FINDINGS
AND IMPRESSIONS FROM HIS MOST RECENT VISIT TO
BASRA AND BAGHDAD.

3. EXEC BELIEVES IRAQ NATIONAL OIL COMPANY (INOC)
HAS DONE REMARKABLY SMOOTH JOB OF ABSORBING BASRA
PETROLEUM COMPANY (BPC) FACILITIES NATIONALIZED
DECEMBER 1975. INOC MORALE IS HIGH, AND ONGOING
SHIFT-AWAY FROM SOVIET DRILLING EQUIPMENT TOWARDS
WESTERN--ESPECIALLY U.S.--MATERIALS IS STRIKING
AND WELCOME PHENOMENON OF PAST TWO YEARS. FOUR
AMERICAN-BUILT (U.S. STEEL) DRILLING RIGS ARE
NOW IN PLACE, IN ADDITION TO EIGHT SOVIET, AND
INOC CONSENSUS IS THAT U.S. RIGS HAVE TWICE
OUTPUT AND RELIABILITY OF SOVIETS. RECENTLY
ARRIVED MAMMOTH U.S. OILFIELD TRUCKS (FROM KENWORTH
OF SEATTLE) ARE NOW PRIDE OF INOC'S FLEET. INOC
ALSO HAS TWO DRESSER-IDECO WORKOVER RIGS WITH
TWO MORE ON ORDER.

4. INOC HAS SIXTY WATER INJECTION WELLS SCHEDULED
AUGUST 1976-AUGUST 1977 AND EXPECTS TO UNDERTAKE
BETWEEN 78 AND 80 FOR THE PERIOD AUGUST 1977-
AUGUST 1978, ACCORDING TO INOC SOURCES IN BASRA.

5. INOC IS EXCITED ABOUT DISCOVERY IN RUMAILA
OF NEW LAYER OF OIL AT DEPTH BELOW 12,000 FEET
IN MASSIVE LIMESTONE DEPOSIT. INOC IS PLEASED
AT STRATUM'S HIGH GAS RATIO AS INDUSTRIALIZATION
PLANS FOR BASRA-RUMAILA AREA CALL FOR GREAT
QUANTITIES OF GAS. SOLE WELL PRODUCING IN NEW
STRATUM WAS TESTED FOUR MONTHS AGO AT 20,000
BARRELS PER DAY. OIL IS LIGHTWEIGHT (API
GRAVITY 42) BUT HAS UNHELPFULLY HIGH ADMISTURES
(FROM POINT OF VIEW OF CORROSION) OF HYDROGEN
SULFIDE AND CARBON DIOXIDE.

6. SOURCE CONFIRMS FROM DISCUSSION WITH
BRAZILIAN OIL CONTACTS WHAT BRAZILIAN AMBASSADOR
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TOLD US TWO WEEKS AGO THAT PETROBRAS HAS STRUCK
OIL DURING TEST DRILL IN NEW FIELD 100 KM.
NORTHEAST OF BASRA--NOT TOO FAR FROM ELF
CONCESSION ALONG IRANIAN BORDER. WELL IS NOT
YET THROUGH TO TEST LEVEL BUT HAS ALREADY
UNCOVERED OIL IN TWO UNANTICIPATED STRATA.

7. U.S. EXEC SEES "NOTHING BUT GOOD TIMES AHEAD"

FOR IRAQI PETROLEUM SECTOR. IRAQI TECHNOCRATS IN CHARGE OF INOC, ICOO AND AT THE OIL MINISTRY ARE DOING SURPRISINGLY PROFESSIONAL JOB, SOURCE FEELS. AND ANTI-AMERICAN FEELING NOTABLE TWO YEARS AGO AMONG CONTACTS IN THIS SECTOR HAVE ALMOST TOTALLY EVAPORATED. SOURCE FINDS IRAQIS AS INDIVIDUALS FAR EASIER TO DEAL WITH THAN IRANIANS, FOR EXAMPLE. (COMMENT: THIS IS OBSERVATION FREQUENTLY MADE BY U.S. BUSINESSMEN ACTIVE IN BOTH IRAN AND IRAQ.)

8. SOURCE SAID IT SEEMED TO HIM THAT USG MUST GROSSLY UNDERESTIMATE IRAQ'S PROBABLE OIL RESERVES AND FUTURE ROLE IN WORLD OIL TRADE, JUDGING FROM IMPRESSION WIDESPREAD AMONG AMERICAN OIL COMPANIES, THAT USG IS NOT SEEKING TOP-LEVEL CONTACTS WITH KEY IRAQI DECISION MAKERS IN THIS FIELD. HE SUGGESTED THAT TIME HAD COME FOR FEA, TREASURY AND OTHER INTERESTED AGENCIES TO MAKE FRIENDLY OVERTURES. SOURCE SEES IRAQ OIL DEVELOPMENT AS IN ITS INFANCY AND HAVING ENORMOUS POTENTIAL TO BUY AMERICAN TECHNOLOGY, SERVICES AND HARDWARE. KILLOUGH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, INDUSTRIAL DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 10 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BAGHDA01106
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760307-0140
From: BAGHDAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760870/aaaacjgx.tel
Line Count: 138
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAR 2004 by greeneet>; APPROVED <03 AUG 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RECENT PETROLEUM DEVELOPMENTS IN IRAQ
TAGS: ENRG, IZ, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006